

Message Text

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PAGE 01 BONN 16010 101131Z

41

ACTION EUR-10

INFO OCT-01 ISO-00 DRC-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-03 FEAE-00 FPC-01 H-01

INR-10 INT-01 L-02 NSAE-00 NSC-07 OMB-01 PM-03 RSC-01

SAM-01 SCI-03 SP-02 SS-14 STR-01 TRSE-00 FRB-01 TAR-01

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 5568

INFO AMCONSUL DUSSELDORF

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, ETRD, GW

SUBJECT: FRG COAL POLICY UNDER REVIEW

1. THE FRG IS IN THE FINAL STAGES OF UPDATING ITS ENERGY POLICY PROGRAM FIRST ENNUNCIATED IN SEPTEMBER, 1973. A MAJOR ASPECT OF THIS PROGRAM IS GERMAN COAL POLICY. IN ITS 1973 PROGRAM (BONN A-696; 1973) THE GOVERNMENT SET AS A TARGET THE GRADUAL DECLINE IN DOMESTIC GERMAN COAL PRODUCTION TO A LEVEL OF 78 MILLION TONS IN 1978 (1973 PRODUCTION: 97 MILLION TONS) AND STATED ITS INTENTION TO MAINTAIN THE COAL IMPORT QUOTA OF 5.5 MILLION METRIC TONS FOR NON-EC THIRD COUNTRIES. BOTH THE PRODUCTION AND QUOTA FIGURES ARE NOW THE SUBJECT OF CONSIDERABLE DEBATE WITHIN THE GOVERNMENT AND BETWEEN THE GOVERNMENT AND PRIVATE SECTORS.

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PAGE 02 BONN 16010 101131Z

2. ACCORDING TO AN ECONOMICS MINISTRY SOURCE THE

GERMAN COAL INDUSTRY IS PUSHING FOR A SUBSTANTIAL SLOWDOWN IN THE PROJECTED DECLINE OF DOMESTIC PRODUCTION AND IS SUGGESTING A NEW TARGET OF AT LEAST 90-92 MILLION TONS IN 1980. SUCH A TARGET, WHICH WOULD PERMIT NO REDUCTION IN THE IMPORT QUOTA, HAS CONSIDERABLE SUPPORT WITHIN THE GOVERNMENT ON THE GROUNDS THAT IT WOULD ASSIST IN THE PROCESS OF REDUCING GERMANY'S DEPENDENCE ON IMPORTED SOURCES OF ENERGY. THE STEEL INDUSTRY ON THE OTHER HAND IS SEEKING TO HAVE IMPORT QUOTAS RAISED IN ANTICIPATION OF A REVERSION TO THE MORE NORMAL SITUATION WHERE IMPORTED COAL IS SUBSTANTIALLY CHEAPER THAN DOMESTIC COAL. SUCH A QUOTA INCREASE, WHICH WOULD BE INCOMPATIBLE WITH THE HIGHER PRODUCTION FIGURES SOUGHT BY THE COAL INDUSTRY, WOULD PARALLEL THE FINANCE MINISTRY'S INTEREST IN KEEPING DOMESTIC COAL PRODUCTION AND THE CONCOMITANT GOVERNMENT SUBSIDIES TO A "REASONABLE" LEVEL.

3. DURING THE CONVERSATION EMBOFF QUESTIONED THE NEED FOR CONTINUED RESTRICTIONS, DRAWING ON THE GUIDANCE IN STATE 4152.

4. THE GERMAN CABINET IS EXPECTED TO DECIDE THESE POLICY ISSUES IN ITS OCTOBER 23 MEETING.
HILLENBRAND

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